

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

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Emmetsburg Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

(Before September 2013 Election)

B J Schany	President	2015
Rick Brennan	Vice President	2015
Tammy Naig	Board Member	2013
Karla Anderson	Board Member	2013
Kim Campbell	Board Member	2013
Scott Kibbie	Board Member	2015
Kathleen Roethler	Board Member	2015

(After September 2013 Election)

B J Schany	President	2015
Rick Brennan	Vice President	2015
Tammy Naig	Board Member	2017
Rick Bird	Board Member	2017
Kim Campbell	Board Member	2017
Scott Kibbie	Board Member	2015
Kathleen Roethler	Board Member	2015

School Officials

John Joynt	Superintendent
Lisa Chapman	District Secretary/Treasurer



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Emmetsburg Community School District
Emmetsburg, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We and other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statement. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2015 on our consideration of Emmetsburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Emmetsburg Community School District's internal control over financial reporting and compliance.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 13, 2015

EMMETSBURG COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,696,573 in fiscal year 2013 to \$7,839,162 in fiscal year 2014, while General Fund expenditures increased from \$7,611,251 in fiscal year 2013 to \$7,968,445 in fiscal year 2014. This District's General Fund balance decreased from \$1,346,455 at the end of fiscal year 2013 to \$1,217,172 at the end of fiscal year 2014, a 9.6% decrease.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in tuition and state revenue. The increase in expenditures was due primarily to the general fund purchasing furniture and equipment and paying architect fees for the West elementary school construction.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Emmetsburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the combining special revenue and capital projects accounts of the governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Assets							
Current and other assets	\$ 11,932	\$ 14,307	\$ 34	\$ 86	\$ 11,966	\$ 14,393	-16.86
Capital assets, net of accumulated depreciation	12,178	10,157	58	-	12,236	10,157	20.47
Total assets	24,110	24,464	92	86	24,202	24,550	-1.42
Liabilities							
Long-term liabilities	12,938	13,051	-	-	12,938	13,051	-0.87
Other liabilities	369	670	-	8	369	678	-45.58
Total liabilities	13,307	13,721	-	8	13,307	13,729	-3.07
Deferred Inflows of Resources	3,637	3,611	-	-	3,637	3,611	0.72
Net Position							
Invested in capital assets, net of related debt	4,978	2,447	58	-	5,036	2,447	105.80
Restricted	1,542	3,594	-	-	1,542	3,594	-57.10
Unrestricted	646	1,091	34	78	680	1,169	-41.83
Total net position	\$ 7,166	\$ 7,132	\$ 92	\$ 78	\$ 7,258	\$ 7,210	0.67

The District's total net position increased 0.67%, or approximately \$48,000 from the prior year. The significant portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$2,052,000, or 57%, over the prior year. The decrease was primarily a result of continued construction on West elementary school.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$489,000, or 42%.

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013:

Figure A-2 Changes in Net Position (Expressed in Thousands)								
	Governmental Activities		Business-Type Activities		Total District		Total Change %	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014	
Revenues:								
Program revenues:								
Charges for service	\$ 1,163	\$ 1,012	\$ 225	\$ 223	\$ 1,388	\$ 1,235	12.39	
Operating grants, contributions and restricted interest	1,042	901	225	213	1,267	1,114	13.73	
General revenues:								
Property tax	4,197	4,204	-	-	4,197	4,204	-0.17	
Statewide sales, services and use tax	550	655	-	-	550	655	-16.03	
Unrestricted state grants	2,640	2,553	-	-	2,640	2,553	3.41	
Unrestricted investment earnings	22	7	-	1	22	8	175.00	
Other	26	195	-	-	26	195	-86.67	
Total revenues	9,640	9,527	450	437	10,090	9,964	1.26	
Program expenses:								
Governmental activities:								
Instruction	6,683	5,761	-	-	6,683	5,761	16.00	
Student support services	2,314	2,297	-	-	2,314	2,297	0.74	
Non-instructional programs	-	-	436	467	436	467	-6.64	
Other expenses	609	612	-	-	609	612	-0.49	
Total expenses	9,606	8,670	436	467	10,042	9,137	9.90	
Increase (decrease) in net position	\$ 34	\$ 857	\$ 14	\$ (30)	\$ 48	\$ 827	-94.20	

In fiscal year 2014, property tax and unrestricted state grants accounted for 71% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for the business-type activities revenue. The District's total revenues were approximately \$10.1 million, of which approximately \$9.6 million was for governmental activities and less than \$1 million was for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As shown in Figure A-2, the District as a whole experienced a 1.3% increase in revenues and a 9.9% increase in expenses. Charges for service increased approximately \$153,000 to help fund the increase in expenses. The increase in expenses is related to the West elementary school construction.

Governmental Activities

Revenues for governmental activities were \$9,640,846 and expenses were \$9,606,331 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change 2013-2014	2014	2013	% Change 2013-2014
Instruction	\$ 6,683	\$ 5,761	16.0	\$ 4,813	\$ 4,146	16.1
Support services	2,314	2,297	0.7	2,262	2,274	-0.5
Other expenses	609	612	-0.5	325	337	-3.6
Total	\$ 9,606	\$ 8,670	10.8	7,400	6,757	9.5

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,163,200.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,042,310.
- The net cost of governmental activities was financed with \$4,747,155 in property and other taxes and \$2,640,367 in unrestricted state grants.

Business-type Activities

Revenues for business-type activities during the year ended June 30, 2014 were \$450,049, representing a 3.1% increase over the prior year, while expenses totaled \$436,332, a 6.5% decrease over the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental fund as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,391,980, below last year's ending fund balances of \$9,585,278. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to continued construction at the West elementary school.

Governmental Fund Highlights

- The District's General Fund financial position declined slightly during the year. Growth during the year in tuition and state funding resulted in an increase in revenues. However, the increase in revenues was offset by the District's purchase of furniture and equipment and architect fees for the West elementary school.
- The Debt Service Fund balance decreased \$62,516 from fiscal year 2013. The decrease is due to the repayment of refunding general obligation bonds and interest in the amount of \$834,715.
- The Capital Projects Fund balance decreased due to the purchase of \$2,026,071 of capital assets during fiscal year 2014. The decline is attributed to the continued construction of West elementary school. Fiscal year 2014 ended with a balance of \$847,746.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$78,173 at June 30, 2013 to \$91,890 at June 30, 2014, representing an increase of approximately 17.5%. For fiscal year 2014, the District's non-operating revenue rose slightly, while expenditures decreased principally due to decreased spending on supplies.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$374,544 more than total budgeted revenues, a variance of approximately 3.9%.

Total expenditures were less than budgeted by \$657,944.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$12.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4). This represents a net increase of 20.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$393,209.

The original cost of the District's capital assets was approximately \$17.9 million. Governmental funds account for approximately \$17.7 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,524,521 at June 30, 2014, compared to \$270,362 reported at June 30, 2013. This significant increase resulted from construction activity financed by the issuance of voter approved general obligation bonds for construction of a new addition and remodeling project at the West elementary school.

Figure A-4
Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total District		Total Change %
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	0.00
Construction in progress	2,525	270	-	-	2,525	270	835.19
Buildings	9,148	9,398	-	-	9,148	9,398	-2.66
Furniture and equipment	495	479	58	-	553	479	15.45
Total	\$ 12,178	\$ 10,157	\$ 58	\$ -	\$ 12,236	\$ 10,157	20.47

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At June 30, 2014, the District had \$12,937,683 in total long-term debt outstanding. This represents a decrease of approximately 0.9% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. In 2013, the District issued \$5,130,000 in refunding general obligation bonds and \$1,615,000 in general obligation bonds for a new addition and remodeling of the elementary school.

Figure A-5				
Outstanding Long-term Obligations				
(Expressed in Thousands)				
Total School District			%	
June 30,			Total Change	
2014	2013		June 30,	2013-2014
General obligation bonds	\$ 12,075	\$ 12,585		-4.05
Other postemployment benefits	248	192		29.17
Early retirement	615	274		124.45
Total	\$ 12,938	\$ 13,051		-0.87

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Palo Alto County has advised the District its total taxable valuation will increase 6.0% for property tax collected in fiscal year 2014.
- The District is exploring opportunities to share professional positions in an effort to generate new revenue.
- The West elementary school construction will be completed in the current fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Chapman, District Secretary/Treasurer, Emmetsburg Community School District, 205 King Street, Emmetsburg, Iowa 50536.

BASIC FINANCIAL STATEMENTS

EMMETSBURG COMMUNITY SCHOOL DISTRICT

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,399,091	\$ 18,001	\$ 7,417,092
Receivables:			
Property tax:			
Delinquents	44,318	-	44,318
Succeeding year	3,637,172	-	3,637,172
Accounts	142,169	884	143,053
Income surtax	533,921	-	533,921
Due from other governments	175,319	-	175,319
Inventories	-	15,319	15,319
Capital assets net of accumulated depreciation	12,178,028	57,686	12,235,714
Total assets	24,110,018	91,890	24,201,908
Liabilities			
Accounts payable	368,917	-	368,917
Long-term liabilities:			
Portion due within one year:			
Early retirement	137,965	-	137,965
General obligation bonds	520,000	-	520,000
Portion due after one year:			
Early retirement	476,866	-	476,866
General obligation bonds	11,555,000	-	11,555,000
Net OPEB liability	247,852	-	247,852
Total liabilities	13,306,600	-	13,306,600
Deferred Inflows of Resources			
Unavailable property tax revenue	3,637,172	-	3,637,172
Net Position			
Net investment in capital assets	4,978,028	57,686	5,035,714
Restricted for:			
Categorical funding	149,164	-	149,164
Management levy purposes	270,780	-	270,780
Student activities	58,873	-	58,873
School infrastructure	636,274	-	636,274
Physical plant and equipment	211,472	-	211,472
Debt Service	215,829	-	215,829
Unrestricted	645,826	34,204	680,030
Total net position	\$ 7,166,246	\$ 91,890	\$ 7,258,136

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,351,581	\$ 591,109	\$ 565,498	\$ -
Special instruction	1,080,852	214,180	45,223	-
Other instruction	1,250,567	354,779	98,426	-
	<u>6,683,000</u>	<u>1,160,068</u>	<u>709,147</u>	<u>-</u>
Support services:				
Student	129,688	-	-	-
Instructional staff	125,492	-	-	-
Administration	794,548	-	27,626	-
Operation and maintenance of plant	918,603	-	-	-
Transportation	345,669	3,132	20,921	-
	<u>2,314,000</u>	<u>3,132</u>	<u>48,547</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	324,715	-	-	-
AEA flowthrough	284,616	-	284,616	-
	<u>609,331</u>	<u>-</u>	<u>284,616</u>	<u>-</u>
Total governmental activities	<u>9,606,331</u>	<u>1,163,200</u>	<u>1,042,310</u>	<u>-</u>
Business-type activities:				
Non-instructional programs:				
Food service operations	436,332	225,274	224,671	-
Total business-type activities	<u>436,332</u>	<u>225,274</u>	<u>224,671</u>	<u>-</u>
Total	<u>\$ 10,042,663</u>	<u>\$ 1,388,474</u>	<u>\$ 1,266,981</u>	<u>\$ -</u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (3,194,974)	\$ -	\$ (3,194,974)
(821,449)	-	(821,449)
(797,362)	-	(797,362)
<u>(4,813,785)</u>	<u>-</u>	<u>(4,813,785)</u>
(129,688)	-	(129,688)
(125,492)	-	(125,492)
(766,922)	-	(766,922)
(918,603)	-	(918,603)
(321,616)	-	(321,616)
<u>(2,262,321)</u>	<u>-</u>	<u>(2,262,321)</u>
(324,715)	-	(324,715)
-	-	-
<u>(324,715)</u>	<u>-</u>	<u>(324,715)</u>
<u>(7,400,821)</u>	<u>-</u>	<u>(7,400,821)</u>
-	13,613	13,613
-	13,613	13,613
<u>(7,400,821)</u>	<u>13,613</u>	<u>(7,387,208)</u>

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales, services				
and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				
See notes to financial statements.				

**Exhibit B
(Continued)**

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ 3,605,125	\$ -	\$ 3,605,125
591,518	-	591,518
550,512	-	550,512
2,640,367	-	2,640,367
21,694	104	21,798
26,120	-	26,120
<u>7,435,336</u>	<u>104</u>	<u>7,435,440</u>
34,515	13,717	48,232
<u>7,131,731</u>	<u>78,173</u>	<u>7,209,904</u>
<u>\$ 7,166,246</u>	<u>\$ 91,890</u>	<u>\$ 7,258,136</u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General	Special Revenue	Capital Projects
Assets			
Cash and pooled investments	\$ 1,062,915	\$ 326,139	\$ 1,012,628
Receivables:			
Property tax:			
Delinquent	37,053	3,514	3,751
Succeeding year	3,008,696	311,000	317,476
Accounts	142,169	-	-
Income surtax	287,496	-	246,425
Due from other governments	102,011	-	73,308
Total assets	\$ 4,640,340	\$ 640,653	\$ 1,653,588
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 126,976	\$ -	\$ 241,941
Total liabilities	126,976	-	241,941
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	3,008,696	311,000	317,476
Income surtax	287,496	-	246,425
Total deferred inflows of resources	3,296,192	311,000	563,901
Fund balances:			
Restricted for:			
Categorical funding	149,164	-	-
Management levy purposes	-	270,780	-
Student activities	-	58,873	-
School infrastructure	-	-	636,274
Physical plant and equipment	-	-	211,472
Debt service	-	-	-
Unassigned	1,068,008	-	-
Total fund balances	1,217,172	329,653	847,746
Total liabilities, deferred inflows of resources and fund balances	\$ 4,640,340	\$ 640,653	\$ 1,653,588

See notes to financial statements.

Exhibit C

Debt Service		Total
\$	4,997,409	\$ 7,399,091
	-	44,318
	-	3,637,172
	-	142,169
	-	533,921
	-	175,319
\$	4,997,409	\$ 11,931,990

\$	-	\$ 368,917
	-	368,917

	-	3,637,172
	-	533,921
	-	4,171,093

	-	149,164
	-	270,780
	-	58,873
	-	636,274
	-	211,472
4,997,409		4,997,409
	-	1,068,008
4,997,409		7,391,980

\$	4,997,409	\$ 11,931,990
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EMMETSBURG COMMUNITY SCHOOL DISTRICT**Exhibit D****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balances of governmental funds (page 16) \$ 7,391,980

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,178,028

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 533,921

Long-term liabilities, including bonds payable, early retirement obligations and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (12,937,683)

Net position of governmental activities (page 13) \$ 7,166,246

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2014

	General	Special Revenue	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 3,288,412	\$ 284,906	\$ 528,498
Tuition	797,614	-	-
Other	157,896	324,651	4,470
State sources	3,420,140	-	550,512
Federal sources	175,100	-	-
Total revenues	7,839,162	609,557	1,083,480
Expenditures:			
Current:			
Instruction:			
Regular	3,629,418	150,278	257,460
Special	1,073,135	-	-
Other	899,456	343,159	-
	5,602,009	493,437	257,460
Support services:			
Student	128,653	-	-
Instructional staff	124,547	-	-
Administration	777,040	12,367	-
Operation and maintenance of plant	747,910	57,239	77,190
Transportation	303,670	21,942	-
	2,081,820	91,548	77,190
Other expenditures:			
Facilities acquisition	-	-	2,017,929
Long-term debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flowthrough	284,616	-	-
	284,616	-	2,017,929
Total expenditures	7,968,445	584,985	2,352,579
Excess (deficiency) of revenues over (under) expenditures	(129,283)	24,572	(1,269,099)

Exhibit E

Debt Service	Total
\$ -	\$ 4,101,816
-	797,614
15,227	502,244
-	3,970,652
-	175,100
15,227	9,547,426
-	4,037,156
-	1,073,135
-	1,242,615
-	6,352,906
-	128,653
-	124,547
-	789,407
-	882,339
-	325,612
-	2,250,558
-	2,017,929
510,000	510,000
324,715	324,715
-	284,616
834,715	3,137,260
834,715	11,740,724
(819,488)	(2,193,298)

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Governmental Funds

Year Ended June 30, 2014

	General	Special Revenue	Capital Projects
Other financing sources (uses):			
Operating transfers in	\$ -	\$ -	\$ -
Operating transfers out	-	-	(756,972)
Total other financing sources (uses)	-	-	(756,972)
Change in fund balances	(129,283)	24,572	(2,026,071)
Fund balances, beginning of year	1,346,455	305,081	2,873,817
Fund balances, end of year	<u>\$ 1,217,172</u>	<u>\$ 329,653</u>	<u>\$ 847,746</u>

See notes to financial statements.

Exhibit E
(Continued)

Debt Service		Total	
\$	756,972	\$	756,972
	-		(756,972)
	756,972		-
	(62,516)		(2,193,298)
	5,059,925		9,585,278
\$	4,997,409	\$	7,391,980

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit F

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2014**

Change in fund balances - total governmental funds (page 19) **\$ (2,193,298)**

***Amounts reported for governmental activities in the Statement of
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,414,224	
Depreciation expense	<u>(393,209)</u>	2,021,015

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds and are included as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior year.

93,420

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

510,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(340,891)	
Other postemployment benefits	<u>(55,731)</u>	(396,622)

Change in net position of governmental activities (page 15)

\$ 34,515

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2014

	Business-type Activities School Nutrition	Governmental Activities Internal Service Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 18,001	\$ 17,698
Accounts receivable	884	-
Inventories	15,319	-
Total current assets	34,204	17,698
Noncurrent assets:		
Capital assets, net of accumulated depreciation	57,686	-
Total noncurrent assets	57,686	-
Total assets	\$ 91,890	\$ 17,698
Net Position		
Net investment in capital assets	\$ 57,686	\$ -
Unrestricted	34,204	17,698
Total net position	\$ 91,890	\$ 17,698

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

Proprietary Funds

Year ended June 30, 2014

	Business-type Activities School Nutrition	Governmental Activities Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 225,274	\$ -
Employee contributions	-	77,985
	<u>225,274</u>	<u>77,985</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	145,492	-
Benefits	46,360	-
Purchased services	1,291	-
Supplies	243,189	-
Other	-	76,797
	<u>436,332</u>	<u>76,797</u>
Operating income (loss)	<u>(211,058)</u>	<u>1,188</u>
Non-operating revenues:		
State sources	3,904	-
Federal sources	220,767	-
Interest income	104	-
Total non-operating revenues	<u>224,775</u>	<u>-</u>
Increase in net position	13,717	1,188
Net position beginning of year	<u>78,173</u>	<u>16,510</u>
Net position end of year	<u>\$ 91,890</u>	<u>\$ 17,698</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT
Exhibit I
STATEMENT OF CASH FLOWS
Proprietary Funds
Year ended June 30, 2014

	Business-type Activities School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 224,390	\$ -
Cash received for employee benefits	-	77,985
Cash paid to employees for services	(199,627)	(76,797)
Cash paid to suppliers for goods or services	(227,733)	-
Net cash provided by (used in) operating activities	(202,970)	1,188
Cash flows from non-capital financing activities:		
State grants received	3,904	-
Federal grants received	201,191	-
Net cash provided by non-capital financing activities	205,095	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	(57,686)	-
Net cash (used in) capital and related financing activities	(57,686)	-
Cash flows from investing activities:		
Interest on investments	104	-
Net cash provided by investing activities	104	-
Net increase (decrease) in cash and cash equivalents	(55,457)	1,188
Cash and cash equivalents beginning of year	73,458	16,510
Cash and cash equivalents end of year	\$ 18,001	\$ 17,698
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (211,058)	\$ 1,188
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities used	19,576	-
Increase in accounts receivable	(884)	-
Increase in inventories	(2,829)	-
Increase in salaries and benefits payable	(7,775)	-
Net cash provided by (used in) operating activities	\$ (202,970)	\$ 1,188

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Emmetsburg, Iowa and the predominately agricultural territory in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Special Revenue and Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue Fund is utilized to account for property tax and other revenue to be used for insurance, unemployment and early retirement benefits as well as extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment:	5 - 15

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction function.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities: certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts, and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had the following investments:

Type	
United States Treasury Notes	\$ 4,996,909

The investments in the United States Treasury Notes are valued at fair market.

NOTES TO FINANCIAL STATEMENTS

Note 3. Interfund Transfers

The detail of interfund transfers at June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 756,972
Total		\$ 756,972

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	270,362	2,254,159	-	2,524,521
Total capital assets not being depreciated	280,362	2,254,159	-	2,534,521
Capital assets being depreciated:				
Land improvements	-	8,320	-	8,320
Buildings	13,098,990	-	-	13,098,990
Furniture and equipment	1,925,489	151,745	-	2,077,234
Total capital assets being depreciated	15,024,479	160,065	-	15,184,544
Less accumulated depreciation for:				
Buildings	3,701,188	249,633	-	3,950,821
Furniture and equipment	1,446,640	143,576	-	1,590,216
	5,147,828	393,209	-	5,541,037
Total capital assets being depreciated, net	9,876,651	(233,144)	-	9,643,507
Governmental activities capital assets, net	\$ 10,157,013	\$ 2,021,015	\$ -	\$ 12,178,028
Business-type activities:				
Furniture and equipment	\$ 125,304	\$ 57,686	\$ -	\$ 182,990
Less accumulated depreciation	125,304	-	-	125,304
Business-type activities capital assets, net	\$ -	\$ 57,686	\$ -	\$ 57,686

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 125,356

Support services:

Operation and maintenance of plant

249,633

Transportation

18,220

Total governmental activities depreciation expense

\$ 393,209

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 273,940	\$ 455,402	\$ 114,511	\$ 614,831	\$ 137,965
General obligation bonds	12,585,000	-	510,000	12,075,000	520,000
Net OPEB liability	192,121	55,731	-	247,852	-
Total	\$ 13,051,061	\$ 511,133	\$ 624,511	\$ 12,937,683	\$ 657,965

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

	Bond Issue of May 1, 2007 Series 2013A			Bond Issue of May 1, 2013 Series 2013A			Bond Issue of May 1, 2013 Series 2013B			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2015	4.00%	\$ 320,000	\$ 233,600	0.40%	\$ 200,000	\$ 11,775	0.00%	\$ -	\$ 78,240	\$ 520,000	\$ 323,615	\$ 843,615
2016	4.00%	5,210,000	221,200	0.50%	200,000	10,975	0.00%	-	78,240	5,410,000	310,415	5,720,415
2017	0.00%	-	-	0.60%	200,000	9,975	0.60%	430,000	78,240	630,000	88,215	718,215
2018	0.00%	-	-	0.80%	200,000	8,775	0.80%	435,000	75,660	635,000	84,435	719,435
2019	0.00%	-	-	1.00%	205,000	7,175	1.00%	440,000	72,180	645,000	79,355	724,355
2020	0.00%	-	-	1.15%	205,000	5,125	1.15%	445,000	67,780	650,000	72,905	722,905
2021	0.00%	-	-	1.35%	205,000	2,768	1.35%	455,000	62,662	660,000	65,430	725,430
2022	0.00%	-	-	0.00%	-	-	1.60%	465,000	56,520	465,000	56,520	521,520
2023	0.00%	-	-	0.00%	-	-	1.75%	470,000	49,080	470,000	49,080	519,080
2024	0.00%	-	-	0.00%	-	-	1.90%	480,000	40,855	480,000	40,855	520,855
2025	0.00%	-	-	0.00%	-	-	2.00%	490,000	31,735	490,000	31,735	521,735
2026	0.00%	-	-	0.00%	-	-	2.10%	505,000	21,935	505,000	21,935	526,935
2027	0.00%	-	-	0.00%	-	-	2.20%	515,000	11,330	515,000	11,330	526,330
		<u>\$ 5,530,000</u>	<u>\$ 454,800</u>		<u>\$ 1,415,000</u>	<u>\$ 56,568</u>		<u>\$ 5,130,000</u>	<u>\$ 724,457</u>	<u>\$ 12,075,000</u>	<u>\$ 1,235,825</u>	<u>\$ 13,310,825</u>

On May 1, 2013, the District issued \$5,130,000 General Obligation School Refunding Bonds. The proceeds of the bond less bond costs are being held in an escrow account with a \$4,996,909 balance at June 30, 2014. At June 30, 2014, \$4,875,000 of the refunding bonds are outstanding.

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$421,853, \$400,023 and \$370,329 respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefit (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 96 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation.

Annual required contribution	\$ 87,159
Interest on net OPEB obligation	4,803
Adjustment to annual required contribution	(18,024)
Annual OPEB cost	<u>73,938</u>
Contributions made	(18,207)
Increase in net OPEB obligation	<u>55,731</u>
Net OPEB obligation beginning of year	<u>192,121</u>
Net OPEB obligation end of year	<u><u>\$ 247,852</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – For the year ended June 30, 2014, the District contributed \$18,207 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 62,019	22.50%	\$ 131,271
2013	74,795	18.60%	192,121
2014	73,938	24.60%	247,852

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$486,247, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$486,247. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,750,000 and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized at a level percentage of projected payroll expense on an open basis over 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$284,616 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Lease Commitments

The District leases a copy machine under a noncancellable agreement requiring monthly payments of \$1,898 and expiring in April, 2016. The total future minimum rental commitment at June 30, 2014 is due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 22,774
2016	17,080
2017	-
	<u>\$ 39,854</u>

Total rent expense for the year ended June 30, 2014 was \$31,997.

Note 11. Construction Commitment

The District has entered into a contract totaling \$3,017,147 for the construction of a new addition and a remodeling project at the West elementary school. As of June 30, 2014, costs of \$2,319,369 had been incurred against the contract. The balance of \$697,779 remaining at June 30, 2014 will be paid as work on the projects progress.

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of FASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EMMETSBURG COMMUNITY SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS****Required Supplementary Information****Year ended June 30, 2014**

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 5,401,674	\$ 225,378	\$ 5,627,052
State sources	3,970,652	3,904	3,974,556
Federal sources	175,100	220,767	395,867
Total revenues	9,547,426	450,049	9,997,475
Expenditures/Expenses:			
Instruction	6,352,906	-	6,352,906
Support services	2,250,558	-	2,250,558
Non-instructional programs	-	436,332	436,332
Other expenditures	3,137,260	-	3,137,260
Total expenditures/expenses	11,740,724	436,332	12,177,056
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,193,298)	13,717	(2,179,581)
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(2,193,298)	13,717	(2,179,581)
Balance, beginning of year	9,585,278	78,173	9,663,451
Balance, end of year	\$ 7,391,980	\$ 91,890	\$ 7,483,870

See accompanying independent auditor's report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 5,811,026	\$ 5,811,026	\$ (183,974)
3,464,905	3,464,905	509,651
347,000	347,000	48,867
9,622,931	9,622,931	374,544
5,805,000	5,975,000	(377,906)
2,137,000	2,500,000	249,442
445,000	445,000	8,668
3,118,044	3,915,000	777,740
11,505,044	12,835,000	657,944
(1,882,113)	(3,212,069)	1,032,488
1,560,000	1,560,000	1,560,000
(322,113)	(4,772,069)	2,592,488
2,446,076	2,446,076	7,217,375
\$ 2,123,963	\$ (2,325,993)	\$ 9,809,863

EMMETSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING **Year Ended June 30, 2014**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instruction function exceeded the amount budgeted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 503	\$ 503	0.00	\$ 4,365	11.5
2011	July 1, 2009	-	486	486	0.00	4,423	11.0
2012	July 1, 2009	-	460	460	0.00	4,555	10.1
2013	July 1, 2012	-	503	503	0.00	4,625	10.9
2014	July 1, 2012	-	486	486	0.00	4,750	10.2

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Special Revenue Accounts

June 30, 2014

		Special Revenue Funds		
		Management	Student	
		Levy	Activity	Total
Assets				
Cash and pooled investments		\$ 267,266	\$ 58,873	\$ 326,139
Receivables:				
Property tax:				
Delinquent		3,514	-	3,514
Succeeding year		311,000	-	311,000
Total assets		\$ 581,780	\$ 58,873	\$ 640,653
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable		\$ -	\$ -	\$ -
Total liabilities		-	-	-
Deferred inflows of resources:				
Unavailable property tax revenue		311,000	-	311,000
Total deferred inflows of resources		311,000	-	311,000
Fund balances:				
Restricted for:				
Management levy purposes		270,780	-	270,780
Student activities		-	58,873	58,873
Total fund balances		270,780	58,873	329,653
Total liabilities, deferred inflows of resources and fund balances		\$ 581,780	\$ 58,873	\$ 640,653

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 2

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Accounts**

Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 284,906	\$ -	\$ 284,906
Other	319	324,332	324,651
Total revenues	285,225	324,332	609,557
Expenditures:			
Current:			
Instruction:			
Regular	150,278	-	150,278
Other	-	343,159	343,159
Support services:			
Administration	12,367	-	12,367
Operation and maintenance of plant	57,239	-	57,239
Student transportation	21,942	-	21,942
Total expenditures	241,826	343,159	584,985
Change in fund balances	43,399	(18,827)	24,572
Fund balances beginning of year	227,381	77,700	305,081
Fund balances end of year	\$ 270,780	\$ 58,873	\$ 329,653

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Tickets	\$ -	\$ 10,991	\$ 10,991	\$ -
Rental Fees	88	690	778	-
JV Show Choir Rental	438	4,027	4,465	-
Concert Choir Uniform Rental	2,295	14	1,128	1,181
Middle School Swing Choir	(1,996)	2,395	399	-
Gifts and Donations	3,552	-	3,552	-
Interest Earned	12	143	155	-
Elementary Book Fair	627	3,467	4,094	-
Bucks for Books	259	-	259	-
Tournaments	-	8,390	8,390	-
Middle School Music	275	923	969	229
HS Vocal/Swing Choir	-	14,597	14,420	177
HS Instrumental Music	1,921	6,551	7,544	928
Musical/Play	(1,984)	1,858	3,075	(3,201)
Pupil Insurance	12	-	12	-
Pepsi Funds	340	9,417	9,757	-
FFA	6,030	36,947	37,426	5,551
Elementary Student Council	11,970	11,728	20,776	2,922
MS Student Council	4,798	3,411	3,763	4,446
HS Student Council	6,389	12,652	10,382	8,659
Concessions	-	-	-	-
Present Year Aerie	8,184	12,245	8,695	11,734
National Honor Society	(293)	1,928	1,635	-
Previous Classes	18	-	18	-
Class of 2013	-	60	60	-
Class of 2015	271	1,161	1,432	-
Class of 2014	437	17,237	15,517	2,157
Class of 2012	-	60	60	-
Cheerleaders	4,213	11,703	9,923	5,993
Peer Counseling	105	-	105	-
Spanish Club	73	-	-	73
General Athletics	130	67,519	69,767	(2,118)
High School Football	4,841	16,034	17,674	3,201
High School Baseball	(38)	3,457	2,953	466
High School Boys Golf	933	700	732	901
High School Girls Golf	-	1,550	1,516	34
High School Girls Basketball	2,769	5,400	7,648	521
High School Wrestling	284	-	115	169

(Continued on next page)

EMMETSBURG COMMUNITY SCHOOL DISTRICT**Schedule 3
(Continued)****Schedule of Changes in Special Revenue Fund, Student Activity Accounts****Year ended June 30, 2014**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Softball Fundraiser	\$ 3,286	\$ 10,859	\$ 12,832	\$ 1,313
High School Boys Track	695	1,708	1,821	582
High School Cross Country	349	3,534	3,082	801
High School Volleyball	6,479	24,491	20,732	10,238
Journalism	395	-	395	-
Towels	188	444	632	-
Helping Hands	618	1,103	1,721	-
Laptop insurance	6,619	3,569	8,473	1,715
Hawks Nest	2,118	2,997	4,669	446
Speech and Drama	-	485	485	-
High School Boys Basketball	-	3,343	3,343	-
Variety Show Choir Rental	-	2,648	3,311	(663)
Fall Play	-	1,478	1,478	-
Dance Team	-	418	-	418
Total	\$ 77,700	\$ 324,332	\$ 343,159	\$ 58,873

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide	Physical Plant	
	Sales, Services	and Equipment	
	and Use Tax	Levy	Total
Assets			
Cash and pooled investments	\$ 562,966	\$ 449,662	\$ 1,012,628
Receivables:			
Property tax:			
Delinquent	-	3,751	3,751
Succeeding year	-	317,476	317,476
Income surtax	-	246,425	246,425
Due from other governments	73,308	-	73,308
Total assets	\$ 636,274	\$ 1,017,314	\$ 1,653,588
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 241,941	\$ 241,941
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	317,476	317,476
Income surtax	-	246,425	246,425
Total deferred inflows of resources	-	563,901	563,901
Fund balances:			
Restricted for:			
School infrastructure	636,274	-	636,274
Physical plant and equipment	-	211,472	211,472
Total fund balances	636,274	211,472	847,746
Total liabilities, deferred inflows of resources and fund balances	\$ 636,274	\$ 1,017,314	\$ 1,653,588

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule 5

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Capital Project Accounts**

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 528,498	\$ 528,498
Other	1,472	2,998	4,470
State sources	550,512	-	550,512
Total revenues	551,984	531,496	1,083,480
Expenditures:			
Instruction:			
Regular instruction	-	257,460	257,460
Support services:			
Operation and maintenance of plant	-	77,190	77,190
Other expenditures:			
Facilities acquisition	-	2,017,929	2,017,929
Total expenditures	-	2,352,579	2,352,579
Excess (deficiency) of revenues over (under) expenditures	551,984	(1,821,083)	(1,269,099)
Other financing (uses):			
Operating transfers out	(550,534)	(206,438)	(756,972)
Total other financing (uses)	(550,534)	(206,438)	(756,972)
Change in fund balances	1,450	(2,027,521)	(2,026,071)
Fund balances beginning of year	634,824	2,238,993	2,873,817
Fund balances end of year	\$ 636,274	\$ 211,472	\$ 847,746

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds****For the Last Ten Years**

	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 4,101,816	\$ 4,804,314	\$ 4,442,179	\$ 4,703,990
Tuition	797,614	735,685	553,095	554,305
Other	502,244	538,985	385,512	351,788
State sources	3,970,652	3,233,767	3,444,045	2,965,239
Federal sources	175,100	158,092	239,463	406,710
Total revenues	\$ 9,547,426	\$ 9,470,843	\$ 9,064,294	\$ 8,982,032
Expenditures:				
Instruction	\$ 6,352,906	\$ 5,847,233	\$ 6,022,312	\$ 5,372,167
Support services:				
Student	128,653	131,655	129,653	151,860
Instructional staff	124,547	113,944	128,593	118,157
Administration	789,407	1,017,658	680,932	676,563
Operation and maintenance				
of plant	882,339	628,308	587,437	555,165
Transportation	325,612	324,910	353,840	346,661
Other expenditures:				
Facilities acquisition	2,017,929	77,955	69,924	108,727
Long-term debt:				
Principal	510,000	295,000	280,000	270,000
Interest and other charges	324,715	315,729	256,600	267,400
AEA flowthrough	284,616	274,948	272,363	297,748
Total expenditures	\$ 11,740,724	\$ 9,027,340	\$ 8,781,654	\$ 8,164,448

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 3,978,174	\$ 3,423,513	\$ 3,383,861	\$ 3,398,214	\$ 3,387,786	\$ 3,279,793
622,257	526,469	523,733	633,127	522,290	417,357
443,839	520,078	623,551	457,340	386,271	363,099
2,853,067	2,994,369	3,052,031	3,013,420	2,860,913	2,932,086
591,221	207,734	175,351	268,678	300,229	208,250
\$ 8,488,558	\$ 7,672,163	\$ 7,758,527	\$ 7,770,779	\$ 7,457,489	\$ 7,200,585
\$ 5,126,954	\$ 5,257,437	\$ 4,910,987	\$ 4,405,024	\$ 4,058,450	\$ 4,135,201
146,684	96,885	148,500	140,130	129,598	231,101
112,846	124,117	139,135	154,341	163,935	158,401
841,842	636,551	727,436	1,128,369	635,668	573,344
534,434	635,801	820,937	736,696	641,744	536,930
302,779	337,369	354,098	370,009	372,138	361,809
573,135	3,635,450	4,632,841	340,564	93,296	260,086
260,000	245,000	235,000	125,000	125,000	125,000
277,800	287,600	297,200	3,688	7,000	9,813
296,572	252,057	245,750	240,007	232,284	231,258
\$ 8,473,046	\$ 11,508,267	\$ 12,511,884	\$ 7,643,828	\$ 6,459,113	\$ 6,622,943



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Emmetsburg Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Emmetsburg Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmetsburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's Responses to Findings

Emmetsburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Emmetsburg Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 13, 2015

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-14 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize, that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

II-B-14 Preparation of Financial Statements: Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Emmetsburg Community School District does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements (Continued):

Internal Control Deficiencies:

II-B-14 Preparation of Financial Statements (Continued):

Recommendation: We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response: Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-14 Certified Budget: Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amount in the instruction expenditure function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-B-14 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-14 Business Transactions: We noted no business transactions between the District and District officials or employees.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part III: Other Findings Related To Required Statutory Reporting (continued):

- III-E-14 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-14 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-14 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-14 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- III-I-14 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-14 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- III-K-14 Categorical Funding: No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-L-14 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	634,824
Revenues/transfers in:			
Sales tax revenues	\$	550,512	
Other local revenues		1,472	551,984
			<hr/>
			1,186,808
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund			550,534
			<hr/>
Ending balance		\$	<u>636,274</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<hr/>	
	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
<hr/> Debt service levy	\$ 1.84000	\$ 553,000

III-M-14 Deficit Balances: Three student activity accounts had deficit balances at June 30, 2014.

Recommendations: The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response: The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion: Response accepted.